

## Message Text

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70

ACTION ARA-17

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 SAL-01 OMB-01 NSC-10 SS-15 STR-08

CEA-02 CCO-00 SSO-00 NSCE-00 INRE-00 L-03 RSR-01 /131 W  
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O 042054 Z APR 73

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC IMMEDIATE 3920

C O N F I D E N T I A L SANTIAGO 1418

E. O. 11652: GDS

TAGS: BDIS, CI

SUBJ: CERRO NEGOTIATIONS

REF: SANTIAGO 1113

PASS OPIC AND EXIM

1. SUMMARY: CERRO VICE PRESIDENT WALSH CALLED ON AMBASSADOR ON APRIL 3 TO REPORT STATUS OF CERRO' S NEGOTIATIONS WITH GOC. HE SAID THAT PRINCIPAL REMAINING PROBLEMS WERE ( A ) CLOSING GAP BETWEEN GOC " PRESENT VALUE" COMPENSATION FIGURE OF \$32 MILLION AND CERRO FIGURE OF \$38 MILLION AND ( B ) PUTTING SETTLEMENT INTO FORM WHICH WILL CREATE NO PROBLEMS WITH OPIC, EXIM, IRS AND SUMITOMA. CERRO HAS MADE OFFER TO WHICH GOC IS TO RESPOND APRIL 5. IF SETTLEMENT WITH GOC REACHED, WHICH WALSH BELIEVES COULD OCCUR NEXT WEEK, CERRO MAY SIGN AGREEMENT CONTAINING CONDITIONAL LANGUAGE WHICH WILL SUBSEQUENTLY PERMIT THEM TO WORK OUT THEIR PROBLEMS WITH OTHER PARTIES. END SUMMARY.

2. WALSH SIAD THAT GOC AND CERRO HAVE REACHED AGREEMENT ON PAYMENTS TO BE MADE DURING 1973 AND 1974. \$863,000 WILL BE PAID ON DECEMBER 31, 1973, AND \$2.7 MILLION IN 1974.  
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CERRO HAS PROPOSED THAT GAP BETWEEN GOC DISCOUNTED COMPENSATION FIGURE \$32 MILLION AND CERRO'S FIGURE OF \$38 MILLION BE FILLED BY CHARGING INTEREST OF 9 3/8 0/0 ON NOTES AND 8 3/4 0/0 ON EQUITY. GOC IS SCHEDULED TO RESPONDE TO THIS PROPOSAL APRIL 5. ACCORDING TO WALSH, CERRO IS PREPARED TO BE FLEXIBLE AND IS WILLING TO CONSIDER PACKAGE CONSISTING OF CHANGE IN THESE RATES, SALES CONTRACTS, AND ENGINEERING CONTRACTS FOR ANDINA EXPANSION SO LONG AS \$38 MILLION FIGURE IS REACHED.

3. CERRO HAS SUCCEEDED IN OBTAINING \$6 MILLION FINANCING FROM SWISS BANKS TO COVER FOREIGN EXCHANGE COSTS OF PROGRAM TO EXPAND ANDINA PRODUCTION BY 40 0/0, ALTHOUGH CENTRAL BANK IS DISSATISFIED WITH TERMS (5 YEARS INCLUDING TWO YEARS GRACE, WITH INTEREST AT 2 1/2-2 3/4 0/0 OVER LONDON INTERBANK RATE). WALSH DID NOT APPEAR CONCERNED THAT THIS ELEMENT OF THE SETTLEMENT PACKAGE WOULD FALL THROUGH.

4. WALSH SAID THAT THERE IS STILL SOME QUESTION OVER LEGAL FORM OF SETTLEMENT, ALTHOUGH DRAFTING HAS ALREADY BEGUN ON PRESIDENTIAL DECREE WITH REGARD TO EQUITY PORTION AND CONTRACT ACCOMPANIED BY PRESS RELEASE ON NOTES. HE DID NOT DOWNPLAY THE DIFFICULTIES THAT CERRO MIGHT HAVE IN WORKING OUT ITS PROBLEMS WIT OPIC, EXIM, IRS AND SUMITOMA BUT SAID THAT CERRO DID NOT INTEND TO ALLOW THESE PROBLEMS TO DELAY SIGNING OF SETTLEMENT WITH GOC. SETTLEMENT AGREEMENT MIGHT INCLUDE A CLAUSE CONDITIONING IT ON CERRO'S WORKING OUT SATISFACTORY ARRANGEMENTS WITH THESE FOUR ENTITIES.

5. WALSH SAID THAT GOC NEGOTIATORS STILL APPEAR TO HAVE POSITIVE ATTITUDE TOWARD ACHIEVING SETTLEMENT, ALTHOUGH THEIR INTEREST IN SIGNING QUICKLY IS LESS THAN IT WAS DURING MEETINGS JUST PRIOR TO RECENT USG/ GOC BILATERAL TALKS IN WASHINGTON.

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\*\*\* Current Classification \*\*\* CONFIDENTIAL

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